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29 September 1955

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CURRENT INTELLIGENCE WEEKLY SUMMARY

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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

FRENCH NORTH AFRICA Page 1

Terrorism in French Morocco has again risen sharply. Premier Faure apparently has been forced to abandon the plan agreed on with the nationalists to remove Sultan Mohamed ben Arafa from his throne. Tension continues high in Algeria; the extraordinary Algerian Assembly which was scheduled to open on 27 September has been indefinitely postponed. [REDACTED]

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[REDACTED]

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BRAZIL'S PRESIDENTIAL ELECTION Page 3

Brazil's presidential election on 3 October will be a tight three-cornered race between Communist-supported Juscelino Kubitschek, army general Jarez Tavora, and the colorful machine politician Adhemar de Barros. [REDACTED]

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[REDACTED]

PART II

NOTES AND COMMENTS

Bulganin's Letter on Disarmament: Premier Bulganin's letter of 19 September to President Eisenhower did not reject the President's "blueprint" and aerial inspection proposals but maintained that they failed to meet the problem of ending the armaments race. It was perhaps intended as a hint that the USSR might accept the President's plan in some form if it were an organic, subordinate part of a general disarmament program along the lines of the Soviet proposals of 10 May. [REDACTED]

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American-Chinese Negotiations: Sino-American talks at Geneva reached an impasse this week as a result of American insistence on early repatriation of all Americans in China as the first order of business and Chinese insistence on now turning to "other practical matters" for discussion. The Communists will probably try to prevent a complete stalemate, because they regard the talks as an opportunity to achieve a major foreign policy aim--an agreement to hold "high-level" negotiations with the United States. Peiping also intimated it would be in a position to nullify any world disarmament agreement if it were not allowed to participate through United Nations membership.

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Prospects for Faure Government: When the French National Assembly convenes on 4 October, the position of Premier Faure will be precarious. Increasing labor unrest at home and the threat of renewed violence in Morocco and Algeria may cause his downfall despite the assembly's reluctance to overthrow him before the national elections due next spring.

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Soviet Bloc Presses Redefection Campaign: The Soviet bloc, in its campaign to promote the return of defectors and emigrés, is adding new incentives by offering material benefits to those willing to be repatriated. Poland has already announced specific benefits, and other Satellites are expected to offer similar lures likely to be more attractive than previous appeals based on nationalism and promises of forgiveness.

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Cambodia: Although national unity in Cambodia is not as complete as the returns in the recent national assembly election indicated, the clean-sweep victory won by Prince Sihanouk's new party and the prince's willingness to become premier enhance the prospects for political stability.

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Pakistan's Leadership Problem: Sharp personality differences between Prime Minister Chaudri Mohammad Ali and Governor General Iskander Mirza are becoming increasingly evident. Both men are pro-American and are unlikely to disagree on foreign policy. Their conflicting attitudes on internal matters, however, will probably lead to a split at the top of the government.

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Political Position of East German Leaders: Recent events in Moscow indicating that the Kremlin has decided to maintain the status quo in Germany for the time being apparently have stabilized the position of East Germany's leaders. The prominent role assumed by Deputy Premier Walter Ulbricht, first secretary of the Socialist Unity Party (SED), in connection with the Moscow conference strongly suggests that he is still the most powerful leader in the East German regime.

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The New Argentine Government: The efforts of the Argentine government to solidify its position continue to meet with obstacles. The pro-Peron General Confederation of Labor has withheld any announcement of allegiance to the new regime, and among Provisional President Lonardi's supporters, the army and navy are already reported at odds on the timing of new elections. While key officials have expressed a desire for close relations with the United States, there are some indications of extreme nationalism in the government.

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PART III**PATTERNS AND PERSPECTIVES****SOVIET LABOR SUPPLY AND LABOR PRODUCTIVITY Page 1**

The high economic growth rate which the Soviet Union has achieved since World War II cannot be maintained in the next five years without extraordinary measures to add workers to the industrial labor force or increases in productivity of the individual laborer so large as to be highly unlikely. Annual increments to the working-age population in these years will be smaller than in the past; the strenuous effort to increase output in agriculture has forced a cessation of the policy of shifting labor from agriculture to industry as a way of raising production; and the growth of industrial labor productivity has been lagging.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****29 September 1955****STATUS OF THE EAST GERMAN ARMED FORCES Page 3**

The East Germans have passed a constitutional amendment on 26 September clearing the way for formal establishment of national armed forces. The constitutional move was made possible by the recent Moscow treaty between the USSR and East Germany, which was timed to enhance East German prestige immediately after Adenauer's visit to the Kremlin. The achievement of overt status by these forces will not eliminate the many problems limiting the expansion of their capabilities. [REDACTED]

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UN DEPENDENT AREA PROBLEMS Page 5

With cold-war tensions relaxed, the growing rift between "colonial" and "anticolonial" powers over dependent areas will assume new prominence in the tenth UN General Assembly. The assembly will be faced with the problems that usually accompany UN discussion of trusteeships and reports on non-self-governing territories. [REDACTED]

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IRANIAN ECONOMIC DEVELOPMENT PLANNING Page 8

Iran's program for economic and financial development, on which the Shah has staked much of his personal prestige, is making little progress, because of opposition from vested interests and poor planning. Continued failure to make appreciable economic progress will strengthen opposition to the Shah. [REDACTED]

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YUGOSLAV-ALBANIAN RELATIONS Page 10

Yugoslav-Albanian relations are improving at a snail-like pace compared with the ties developing between Belgrade and the other members of the Soviet bloc. The retarded state of relations between Tirana and Belgrade is apparently deliberate on the part of all concerned. [REDACTED]

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PART I**OF IMMEDIATE INTEREST****FRENCH NORTH AFRICA**

Terrorism in French Morocco has again risen sharply. Premier Faure apparently has abandoned his plan to have Sultan Mohamed ben Arafa quit his throne. Tension and uneasiness continue in Algeria, and the extraordinary session of the Algerian Assembly which was scheduled to open on 27 September has been indefinitely postponed.

French Morocco: Resident General Boyer de Latour indicated to news correspondents on 27 September that his instructions were to convince the French settlers that Ben Arafa's departure was essential and to obtain nationalist approval for a third member of the Council of the Throne. He claimed that he was blocked by French settler pressure at present, but would have results by Christmas or resign.

However, since the resident general privately shares the settlers' opposition to conciliating the nationalists, he is unlikely to make any real attempt to obtain the settlers' approval for the sultan's departure. Meanwhile, indications in Paris are that Premier Faure has abandoned his plan to remove Ben Arafa.

Boyer de Latour is frankly contemptuous of the nationalist Istiqlal party and has apparently begun a campaign to discredit it.

Boyer de Latour's attitude is similar to that of many residency officials who desire a "showdown" with the nationalists. During the past week, city-wide strikes began in Marrakech and Fez, and there has recently been a sharp rise in acts of terrorism.

[redacted] some 5,000 members of the Berber tribes responsible for the Oued Zem uprising on 20 August had been killed in reprisal, their houses burned, and flocks confiscated.

[redacted] France does not mind stripping its European defenses to augment North African forces, since the danger of war with the USSR is now negligible.

Algeria: A new crisis developed in Algeria on 26 September when 61 of the 92 Algerian Moslem representatives to the Algerian Assembly, French National Assembly, and Council of the Republic openly condemned the French government's policy in Algeria. The group denounced the "blind repression" and "the application of the principle of collective responsibility" following the 20 August uprising. It declared that Governor General Soustelle's program of integration was "too little too late" and proclaimed its support for an autonomous Algeria federated with France.

On 27 September Soustelle indefinitely postponed the extraordinary session of the Algerian Assembly a few hours before its scheduled opening. Some 41 of the 60 Algerian Moslem deputies had threatened to boycott the session.

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BRAZIL'S PRESIDENTIAL ELECTION

Brazil's presidential election on 3 October promises to be a tight three-cornered race between Communist-supported Juscelino Kubitschek, army general Juarez Tavora, and the colorful machine politician Adhemar de Barros. [REDACTED]

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While all three presidential candidates have support ranging from right to left, Tavora is generally regarded as the candidate of the conservatives. Tavora is also supported by the Brazilian armed forces [REDACTED]

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Kubitschek, previously considered by many observers to be far in the lead, has lost considerable strength in recent weeks. Some of his business support, noting the increased vehemence of armed forces opposition to Kubitschek following the Communist Party's announcement in August that it

would support that ticket, has apparently swung to Adhemar de Barros.

Barros, whose political party support is slight, has a possibly offsetting advantage in being more widely known throughout Brazil than either of the other candidates. Both his opponents and his supporters agree that he is dishonest, but his supporters insist that "he gets things done."

Vice-presidential candidates have an unusual importance in this campaign. Although presidential and vice-presidential candidacies are not linked on the Brazilian ballot, the armed forces have apparently assumed that Kubitschek's election would be accompanied by that of the pro-Communist Goulart. [REDACTED]

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Even if Tavora's vice-presidential candidate, Milton Campos, should be elected along with Kubitschek, a period of considerable tension could be expected prior to the inauguration of the new chief executive on 31 January. [REDACTED]

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PART II

NOTES AND COMMENTSBulganin's Letter
On Disarmament

Premier Bulganin's letter of 19 September to President Eisenhower did not openly reject the President's "blueprint" and aerial inspection proposals but sought instead to maintain that they failed to meet the main problem of ending the armaments race. It was perhaps intended as a hint that the USSR might accept the President's plan in some form if it were an organic, subordinate part of a general disarmament program.

Bulganin aimed his remarks directly at what Moscow regards as vulnerable points in the American proposal--the fact that as presented it is not organically related to a general disarmament program including reductions in conventional armaments and a prohibition of nuclear weapons. He attempted to substitute the Soviet disarmament plan of 10 May as the main basis of discussion.

The moderate and optimistic tone of the letter was designed to demonstrate Moscow's desire to continue the negotiations and its readiness to give serious consideration to all Western proposals.

Bulganin stated that he had no objections in principle to the proposal to exchange blueprints of military establishments, but that it would be better if such information were submitted by all states--not only the United States and the USSR--to an international organ of control and inspection operating within the framework

of an agreed general disarmament program.

His chief criticism of the aerial photography proposal was that it would not cover armed forces and military installations located outside the United States and the Soviet Union.

The two objections suggest that Moscow is unwilling to accept any bilateral US-USSR approach to inspection and control, preferring to keep the discussions multilateral and on the subject of a general disarmament plan. Bulganin emphasized this by sending copies of his letter to Prime Minister Eden and Premier Faure.

Bulganin identified three major points on which the Soviet and Western positions were said to be sufficiently close to permit a definite agreement: (1) levels of armed forces; (2) the stage at which the prohibition against the use of atomic weapons would come into force; and (3) general measures to prevent a sudden attack. These three points constitute the principal elements of the Soviet Union's proposals of 10 May.

Bulganin's emphasis on these points of alleged agreement between East and West reveals Moscow's awareness that the other Western members of the UN disarmament subcommittee are more willing than the United States to accept the general approach to disarmament outlined in the Soviet plan.

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American-Chinese Negotiations

Sino-American talks at Geneva reached an impasse this week as a result of American insistence on early repatriation of all Americans in China as the first order of business and Chinese insistence on now turning to "other practical matters" for discussion. Ambassador Johnson foresaw a possible breakdown of the talks.

The Chinese Communists, however, will probably try to prevent a complete stalemate, because they regard the talks as an opportunity to achieve a major foreign policy aim--an agreement to hold "high-level" negotiations between Washington and Peiping. Wang may resort to a unilateral press statement, charging again that the United States has stalled the talks and hoping to force progress to the "other practical matters" by an appeal to international opinion.

If faced with continued American insistence on the repatriation issue, Peiping may make a few more placating gestures by affording the British chargé means of communicating with the American prisoners and by announcing a few more are now eligible for release.

While Peiping was driving for one form of international recognition--the "higher-level" conference as a result of the Geneva talks--it was also continuing its longer-term campaign for a seat in the United Nations. Recent Chinese comment has linked the question of UN representation for Peiping with the question of disarmament. Referring to the American proposal for free inspection, first advanced by President Eisenhower at Geneva, the Chinese quoted Max Lerner in the New York Post to the effect that such a provision would be worthless without an accompanying international agreement to reduce armaments. Lerner, as quoted by Peiping, argued that the arms race would only be intensified as a result of the inspections and as one nation learned the strength of another.

Peiping went on to stress that no world agreement on disarmament and the outlawing of atomic weapons would be workable without the participation of Communist China. Contained in these two statements was the idea that Peiping could block any world disarmament agreement unless participating as a member of the United Nations.

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Prospects for Faure Government

When the French National Assembly convenes on 4 October, Premier Faure's position will be precarious. Increasing labor unrest at home and the threat of renewed violence in Morocco and Algeria may cause his downfall despite the assembly's reluctance to overthrow him before the national elections scheduled for next spring.

In the discussion of government policies, which will be delayed by assembly reorganization matters until mid-October, Faure will rely on his trip to Moscow, scheduled for 14 October, and his participation in Geneva talks starting in late October to recoup his prestige.

The premier's frantic juggling of the Moroccan issue has

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dissipated much of his prestige and increased the possibility of his early overthrow. If assembly approval of his coalition's Moroccan program depends on external Socialist support, disgruntled rightists within the coalition will be eager to desert him on the next issue. In view of the proximity of elections, the Socialists are unwilling to associate themselves too closely with the government unless the premier is backing a proposal already advocated by the Socialists themselves.

The government's vacillation over Morocco has disturbed reform-minded elements within the coalition as well as the Socialist leadership. The Popular Republicans, who favor rapid implementation of the reform program for Morocco, have threatened to desert the government if the stalemate continues. The government's response to pressure for greater autonomy in Algeria may determine how far these groups will go in supporting Faure.

Labor dissatisfaction remains strong, meanwhile, and if the Communist-controlled General Labor Confederation gives the signal for an all-out general strike in October, the

free unions will probably be unable to withstand the pressure.

Finally, Faure must ask the National Assembly for additional funds to cover wage increases and military expenditures, a convenient occasion for opposition attack.

Nevertheless, the basic reasons for prolonging Faure's tenure are still operative. The leaders of neither the right nor the non-Communist left want to strengthen Mendes-France's bid for electoral support, and a crisis now would be sure to benefit the former premier. Pinay or some other conservative successor to Faure would be an even better target for Mendes-France in his efforts to consolidate the left.

An additional factor in Faure's favor is the increasing difficulty in getting assembly approval for a new cabinet, a situation which has tended to lengthen the lifetime of French governments in the past three years. Finally, Faure's trip to Moscow and the new Geneva talks will deter attempts to unseat him before 1 November and offer opportunities which he will attempt to exploit to restore his prestige.

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Soviet Bloc Presses Redefection Campaign

The Soviet bloc in its campaign to promote the return of defectors and emigrés is adding new incentives by offering material benefits to those willing to be repatriated. Poland announced specific benefits on 21 September, and other

Satellites are expected to offer similar lures likely to be more attractive than appeals based on nationalism and promises of forgiveness.

The Polish government's announcement promised "all-around

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assistance" to repatriates, including travel expenses to Poland, free allowances until work is found, vocational training and educational benefits for young returnees, and farms or work on state farms for farmers.

In early September Poland scored a significant triumph in its redefection campaign with the return of Hulan Hanke, who had just been named premier of the Polish government-in-exile in London. Hanke's move further discredited the already divided and weak Polish exile movement and gave the Polish Communist regime new propaganda material for its redefection campaign.

The most recent development in the Satellite campaign is the Rumanian government's decree of 25 September of

amnesty for Rumanians jailed on war crimes charges except "those who were members of fascist governments between 6 September 1940 and 23 August 1944." The decree, similar to that announced by the USSR on 17 September, will undoubtedly persuade some Rumanian emigrés that a reasonable amount of personal liberties has been restored in the homeland.

The other Satellite regimes also are pressing their redefection campaigns. The Soviet bloc governments appear to believe that any success they achieve in luring defectors home will be of use internally by reducing popular disaffection and by discrediting the non-Communist political philosophies which the redefectors represent and which they generally disavow upon their return.

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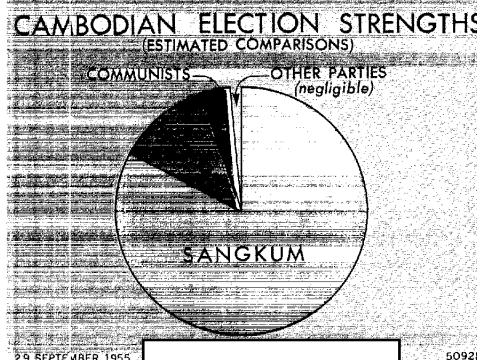
Cambodia

The prospects for a period of political stability in Cambodia have been enhanced by the clean sweep Prince Sihanouk's political movement, the Sangkum Reastr Niyum (SRN), achieved in the recent elections for the Cambodian national assembly. By winning all 91 seats the SRN has reduced the chief opposition party--the once-powerful Democrats--to at least temporary impotence.

Political power is squarely in the hands of Sihanouk, who has agreed to be prime minister for at least three months. The SRN is largely the creation of Sihanouk and it became obvious at the party congress on 25 September that bitter competition among his lieutenants for the premiership would split the movement unless he accepted the job

himself. The assembly will be completely responsive to his leadership and there will be no opposition to his program of constitutional reforms.

It is probable, however, that the impressive electoral



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figures give an unrealistic picture of the SRN's actual popularity. The campaign was waged with bitterness, and the use of intimidation by the prince's supporters probably convinced many people that it would be dangerous to vote against the ex-king.

The Democrats, because of their influence on the intelligentsia, remain an important force--perhaps 90 percent of Cambodia's schoolteachers are Democrats--and if the party is driven underground, there is the danger that many of its younger members may make common cause with the Communists.

Most of the frustration of the younger intellectuals stems from their lack of any voice in the direction of Cambodian affairs, a situation that Sihanouk could easily change. He and his advisers have thus far refrained from widespread repression of the opposition. Sihanouk's announce-

ment that he would not put into effect some of his reform proposals known to be most obnoxious to the opposition should help to create an atmosphere of national unity.

Foreign policy will retain its vaguely "neutralist" orientation, tempered by a realization that the West offers the ultimate safeguard to Cambodia's independence. The announced re-examination of the US-Cambodian MDA agreement by the congress of the SRN has been described by one of Sihanouk's principal advisers as merely an exercise to "educate" the rank and file of the movement.

The SRN's vote to eliminate any reference to the French Union from the constitution is a step that was to be expected in Cambodia's assertion of its independence. It is probable that relations with France will continue largely unchanged under existing bilateral agreements.

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Pakistan's Leadership Problem

Sharp personality differences between Prime Minister Chaudri Mohammad Ali and Governor General Iskander Mirza are becoming increasingly evident. Both men are pro-American and are unlikely to disagree on foreign policy. Their conflicting attitudes on internal matters, however, will aggravate the leadership problem in Pakistan.

Chaudri Mohammad Ali wants to establish a rule of law and a government based on consent. He is a devout and progressive Moslem and is universally respected. Although he was forced into the premiership by Mirza, he will not be content to be a puppet, as his predecessor was.

Mirza is impatient and authoritarian. He is completely secular in outlook and depends heavily on the army for support.

In order to carry out the emergency measures of the past year, under which the seven-year-old constituent assembly was dismissed, former governor general Ghulam Mohammad and Mirza, who was then interior minister, drew the civil and military services into politics. As a result, the services' role as nonpartisan bastions of stability has been weakened. This, together with the replacement of the astute Ghulam Mohammad by the simpler Mirza,

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makes the success of any future "drastic measures" less likely.

Pakistan's stability would seem to depend on Chaudri's ability to (1) control Mirza's impatience to end the confusion in the new Constituent Assembly by extralegal methods, and (2) obtain some kind of popular base for the government.

If Chaudri's uncertain health holds up and he is able to obtain support for his position, he will probably have some success. If he is removed, the result will probably be inefficient dictatorship under Mirza or erratic rule by the assembly.

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Political Position of
East German Leaders

Recent events in Moscow, which indicate that the Kremlin has decided to maintain the status quo in Germany for the time being, apparently have stabilized the positions of East Germany's leaders.

The prominent role assumed by Deputy Premier Walter Ulbricht, first secretary of the Socialist Unity Party (SED), in connection with the Moscow conference strongly suggests that he is still the most power-

ful leader in the East German regime. Younger leaders, notably Karl Schirdewan and Willi Stoph, are being given increasing prominence, but both men have been associated in the past with Ulbricht's wing of the party. At the same time, the position of Premier Grotewohl, who has often been reported to be opposed to Ulbricht's policies, also has apparently not been weakened by recent developments.

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**SCHIRDEWAN**

Ulbricht headed the East German delegation leaving Berlin for Moscow on 16 September. Although he took second place after Premier Grotewohl joined the delegation prior to its public appearance in Moscow, Ulbricht was accorded equal publicity throughout the conference. In particular, he held a press conference on 20 September in which he handed down authoritative statements on every area of East German policy.

This public build-up of Ulbricht may have been intended to restore discipline among SED members, who have displayed considerable concern that he might be sacrificed by the Kremlin in an effort to reach an agreement with West Germany on German reunification. Ulbricht is notoriously unpopular for his unswerving loyalty to the Kremlin and his "hard" line in domestic policies, but he has placed his own adherents in key positions in the East German party and government.

Any move to unseat him would probably require further extensive changes in the regime, and probably would not be undertaken unless a significant policy change were planned.

Increasing prominence was given during the summer to several younger East German politicians, possibly in an effort to create the appearance of greater collectivity of leadership. For the first time, Ulbricht's probable successor as party leader was clearly indicated when party secretary Karl Schirdewan was designated acting SED first secretary on 22 August. Concurrently Deputy Premier Willi Stoph was named as acting premier in the absence of both Grotewohl and Ulbricht. Both Schirdewan and Stoph have been identified in the past with Ulbricht's wing of the party. Both were appointed to the SED politburo in July 1953, during the extensive shake-up which followed the June riots.

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Schirdewan, like Ulbricht, is an experienced cadre and organization man. He has also handled SED relations with the West German Communist Party--a qualification which appears to have particular significance at the present time. At 48, he is 16 years younger than the aging Ulbricht. Arrogant and ambitious, he reportedly has challenged Ulbricht's policies on several occasions though he has been generally in agreement with them. Although Schirdewan spent the prewar and war years in German concentration camps--and not, like Ulbricht, in Moscow, this fact may not be con-

sidered prejudicial under present conditions.

Willi Stoph may be slated eventually to occupy the post of premier. In the meantime, he is probably scheduled to take over the post of defense minister, now that an East German army is to be formed (see Part III, p.3). Like Schirdewan, he is a longtime German Communist who spent the war years in Germany. He worked closely with Soviet authorities in building up the East German armed forces and security services prior to his appointment as minister of the interior in 1952.

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The New Argentine Government

The efforts of the Argentine government to solidify its position continue to meet obstacles. The pro-Peron General Confederation of Labor has withheld any announcement of allegiance to the new regime, and among provisional President Lonardi's supporters the army and navy are already reported at odds on the timing of new elections. While some key officials have expressed a desire for close relations with the United States, there are also indications of extreme nationalism in the government.

The General Confederation of Labor (CGT), perhaps the greatest potential source of trouble for the new government, has made no public profession of allegiance, while the government seems to have made a move toward appeasing the CGT. Hugo di Pietro, secretary general of the confederation, stated in a radio speech on 25 September that Lonardi had agreed to guarantee Peron's safety and all of labor's social gains, as well as to refrain from intervening in the CGT and member organizations and from "modifying" the status of the newspaper, La

Prensa, "through executive action."

This statement, however, leaves the possibility of judicial action for the recovery of La Prensa, confiscated by Peron in 1951 and then "sold" to the CGT. Final decision as to ownership has been pending in the courts. It is within the power of the courts to return the paper to former owner Gainza Paz.

Lonardi is already encountering disputes among his own supporters over his stated desire to hold elections--presumably for president, vice president, and congress--in six or seven months. The Peronista Party is the only one with any organization and it would possibly poll a strong plurality, if not a majority, if elections were held soon.

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PART III**PATTERNS AND PERSPECTIVES****SOVIET LABOR SUPPLY AND LABOR PRODUCTIVITY**

The labor supply and increases in the productivity of the individual laborer in the Soviet Union will probably be inadequate in the next five years to continue the rapid rate of industrial expansion characteristic of the Soviet economy since World War II. Only extraordinary measures to add workers to the industrial labor force or almost impossible increases in productivity would make the traditional rate of expansion possible.

The Soviet goal of catching up with per capita production rates of Western countries in key products, which is consistently mentioned as a major task of the new State Commission for Long-Range Planning, will require both a significantly expanded labor force and rapid increases in labor productivity.

Labor Shortage

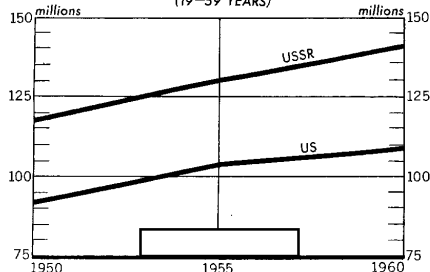
In the next five years the Soviet working-age population (15-59) is expected to increase by only 10,000,000, in contrast to 12,000,000 during the fifth Five-Year Plan period (1951-1955), because of the low World War II birth rate. This increase is much greater than the expected American increase,

but Soviet attainment of US per capita industrial production will be a slow process because of continuing Soviet agricultural manpower requirements, determined by failure to improve agricultural labor productivity. The USSR employs a labor force four to five times as great as the United States to produce the same amount of food.

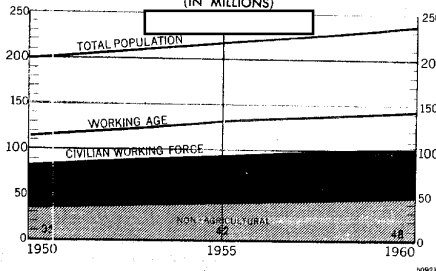
The pattern of movement of rural youth to urban jobs--typical of the USSR during Stalin's lifetime--has shifted since his death. From 1928 to 1950, the Soviet agricultural labor force dropped from 67,800,000 to 51,800,000. During the same period, nonagricultural labor almost quadrupled. By 1955, however, the Soviet agricultural labor force had risen to 54,000,000. Fulfillment of the announced agricultural programs will require continued expansion in farm employment and investment well through 1956. After this--barring new programs--increases in productivity of agricultural labor should permit the allocation to industry of most of the natural increase in the working-age population.

This increase, however, will not be sufficiently large to provide as rapid an expansion in the nonagricultural labor

GROWTH IN WORKING AGE POPULATION
(19-59 YEARS)



SOVIET POPULATION GROWTH
(IN MILLIONS)



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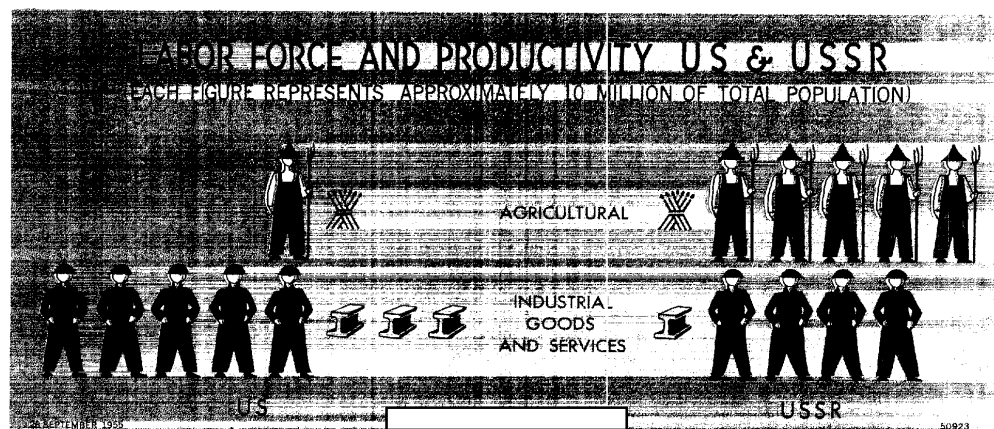
force as occurred in the past five years. Neither will it be practical to employ a larger proportion of the people of working age. Almost all males and from 60-65 percent of Soviet women--compared to about 70 percent during World War II--are already employed.

Besides the present limitations on expanding the labor force, the compulsory 10-year school program, replacing a seven-year program, is a factor keeping millions of the working-age population out of the labor force. In the long run, of course, it will raise the quality of labor.

The amnesty declared on 17 September, if fully carried out, will increase the free labor pool, but the effect of the transfer from forced to free labor remains to be seen. In earlier efforts to increase the effectiveness of its labor force, the Soviet Union in 1953-54 amnestied many forced laborers and shifted many bureaucrats and administrators into more productive work.

Efforts to Raise Productivity

Efforts to increase labor productivity have been emphasized in recent major public discussions of the problems.

Sources of Additional Labor

Reduction of military forces would increase the civilian labor supply and improve the balance in the labor force between men and women. Because of war losses there is a heavy deficit of males of working age, their number in 1955 being 59,000,000 as against 72,000,000 women. Should the USSR reduce its military forces to the level of 1,500,000 it proposed in May, it could augment its labor force by approximately 2,500,000 men. This would offset the effect of the low birth rate during World War II which will have its maximum effect after 1957.

involved in continuing rapid Soviet economic growth. Measures are being considered to increase the automation and mechanization of industry, to improve management and planning, to modernize techniques and methods, and to increase specialization of production in specific factories.

Steps to attain these objectives include the recent visits of the Soviet agricultural delegation to the Western hemisphere and the Soviet construction delegation to Western Europe for the purposes of studying Western techniques. An important new committee to study labor questions, headed by

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Kaganovich, will presumably do everything possible to increase labor efficiency in order to obtain better productivity in the sixth Five-year Plan.

Maintenance of the high growth rate of the fifth Five-Year Plan for the next five years, however, would require increases in labor productivity large enough to offset the effect of declining increments to the labor force. The required rise in industrial labor

productivity would be contingent on a capital investment program in industry considerably in excess of the effort of the past five years.

Such an investment burden would be inconsistent with the announced program of investment in agriculture and would call for little or no improvement in living standards in the near future.

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STATUS OF THE EAST GERMAN ARMED FORCES

The East Germans have, by a constitutional amendment passed on 26 September, cleared the way for the formal establishment of national armed forces. This action is part of the Soviet program to give the East German republic a status equal to that of West Germany. The constitutional move was made possible by the recent Moscow treaty between the USSR and East Germany, which was timed to enhance East German prestige immediately after Adenauer's visit to the Kremlin.

Surrounding the existing East German armed forces with the trappings of legality does not necessarily presage an immediate increase in their size.

Composition of Forces

East German armed forces, first organized in 1948, comprise

approximately 100,000 Garrisoned People's Police (KVP), 9,000 general service Sea Police (VPS), and 7,000 Aeroclub personnel (VDA). These forces are now administered by the Ministry of Interior, but the framework of a separate Defense Ministry already exists.

In addition there are about 30,000 border police, 5,000 uniformed security troops, and more than 10,000 civil police under the Ministry of Interior. Border troops receive basic infantry training and may become part of the national army. The more than 20 battalions of civil police also undergo basic infantry training.

Garrisoned People's Police

Development of military capabilities has reached a higher level in the KVP than in either

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of the other two services. The KVP is made up of two corps, each comprising one mechanized and two rifle divisions, and an independent mechanized division at Potsdam, which was organized following the 17 June 1953 riots, with the primary mission of maintaining order in East Berlin.

The VDA is made up of three divisions, with two regiments each, and an estimated complement of 105 piston aircraft. MIG-15's were withdrawn from the East German air units after the June 1953 riots, but it is expected that training in MIG's will resume in the near future.

Capabilities

The achievement of overt status by East German armed forces will not eliminate the many problems limiting the expansion of their capabilities. The present campaign to obtain recruits by "voluntary" enlistment in the KVP is not proving successful; at least 18,000 males in the 17-24 age group have fled to West Berlin this year.

Political considerations may also hold back further military development. Even after the recent constitutional amendment was made public, Willi Stoph, vice premier and probable future minister of defense, said, "This does not mean conscription." Apparently the East German officials do not wish to antagonize the East German people by passing an unpopular conscription law before compulsory military training is announced in West Germany. Also, an increase in the size of the East German forces would be inconsistent with the current Communist policy of reducing armed forces.

Even if conscription were to be implemented in the near future, KVP combat effectiveness would probably be limited for at least two or three years because of the great number of recruits, and the transfer of personnel and units to form new divisions. East German capability will depend on the degree of logistical support provided by the USSR.

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STATUS OF EAST GERMAN FORCES
UNDER CONTROL OF MINISTRY OF INTERIOR (MDI)

CIVIL POLICE 10,000
UNIFORMED SECURITY TROOPS 5,000
BORDER POLICE 30,000
(VDA) AEROCLUB PERSONNEL 7,000
(VPS) SEA POLICE 9,000
PEOPLE'S POLICE (KVP) 100,000

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In addition there are 22 schools of all branches, with a total of 9,000 to 10,000 students, and the usual rear services installations. Although the present KVP has limited capabilities for combat and cannot be relied upon for maintaining internal security, political indoctrination and regular army recruiting and training practices can be expected gradually to overcome these weaknesses and to build up a valuable reserve.

Naval and Air

The East German naval force was created in 1950 and has not undergone any marked expansion since that time. It has 76 minor vessels and is a defensive force capable of only limited minesweeping and patrol activities. It has, however, trained manpower to allow a considerable strengthening of its present force.

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UN DEPENDENT AREA PROBLEMS

With cold-war tensions relaxed, the growing rift between "colonial" and "anti-colonial" powers over dependent areas will assume new prominence in the tenth UN General Assembly. The North African and Cyprus situations, whether or not formally inscribed on the UN agenda, will tend to exacerbate the differences.

UN members are generally agreed that the charter looks toward the attainment of self-government by dependent areas, but there is a sharp conflict between the administering powers and others over the method and speed by which the charter's objectives are to be achieved.

The movement against colonialism has been sustained largely by the Asian, African, and Latin American countries. They have been generally supported by the Soviet bloc. By UN definition, the USSR is a nonadministering power. American efforts to be neutral in specific disputes in previous sessions have been condemned by both colonial and anticolonial powers.

Among the specific area problems raised by the anticolonial powers are the situations in North Africa, Cyprus, and West New Guinea. These colonial areas do not fall under either the UN trusteeship system or the non-self-governing territory reporting system, since the colonial powers in these cases have not acknowledged UN jurisdiction.

Trusteeship System

The UN trusteeship system presently encompasses 11 territories--three in East Africa, four in West Africa, and four in the Pacific--for which trusteeship agreements were approved by the General Assembly between 1946 and 1950. Responsi-

bility for governing these territories rests with the respective administering states, Australia, Belgium, Britain, France, Italy, and the United States. The UN General Assembly through its Trusteeship Council supervises the operation of the agreements.

The administering powers have frequently been outvoted in the General Assembly on matters affecting the territories they govern. The anticolonials probably registered their greatest gain in 1952 when the General Assembly recommended that "target dates" be established for the attainment of self-government or independence in the trust territories.

The General Assembly will deal with the "attainment question" when it considers a compromise formula which was introduced by the United States and accepted this spring by the Trusteeship Council. The proposal directs the council to include in its annual report on each trust territory a section devoted to the territory's prospects for attaining self-government or independence. The anticolonial group in the UN most likely will attempt to have incorporated in the proposal a "timetable" for independence.

Another trust territory development concerns the unification movement in British Togoland. Britain has informed the UN secretary general that the United Kingdom could not continue administering British Togoland as a trust territory after Gold Coast independence. The British believe that most of British Togoland wants integration with the Gold Coast. A UN visiting mission is currently in the area to ascertain the views of the people themselves, and is scheduled to report to this session.

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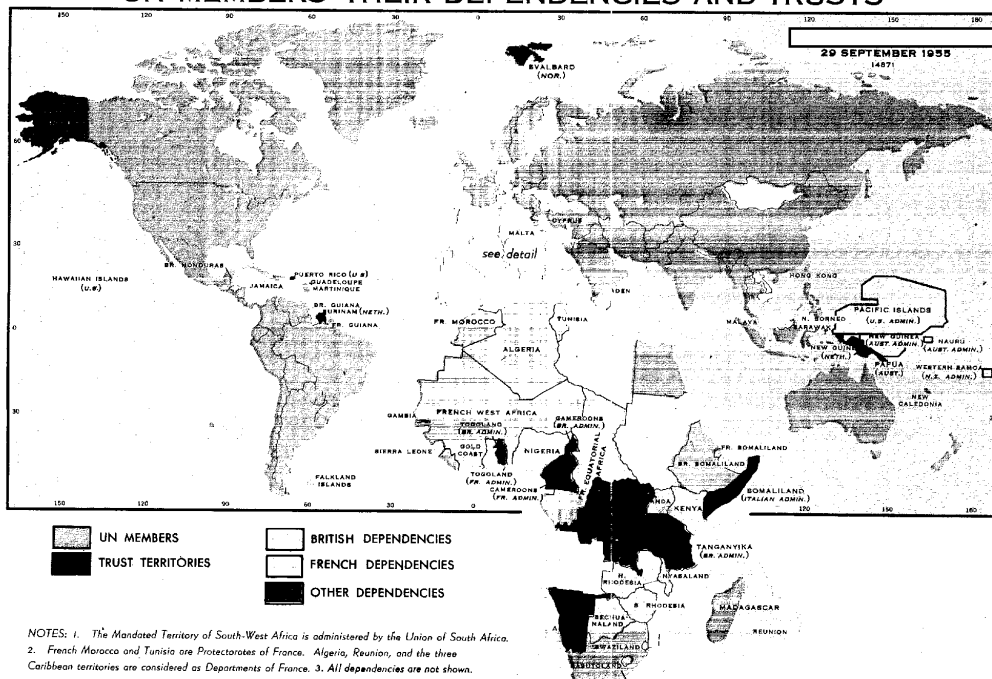
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Of the territories formerly under League of Nations mandates which have not achieved independence, the territory of South West Africa alone remains outside the UN trusteeship system. The Union of South Africa considers the territory an integral part of the Union and has refused to negotiate a UN trusteeship agreement on it or to participate in the UN Committee on South West Africa. This fall's General Assembly

Non-Self-Governing Territories

The charter provides that administering authorities report annually to the UN secretary general on economic, educational, and social conditions in their non-self-governing territories. Administering states and the anti-colonial group have repeatedly clashed over the interpretation of this obligation. The former have unsuccessfully fought a growing tendency on the part of the General Assembly to assume supervisory functions in the administration of their dependent areas. In 1954, eight administering powers reported on 59 non-self-governing territories.

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At the tenth General Assembly, the controversy will focus on whether the Committee on Information from Non-Self-Governing Territories should be continued. Established in 1946, the committee is composed of those member states transmitting information plus an equal number of nonadministering powers. The colonial powers, particularly Belgium, Britain and France, oppose the committee's extension on the grounds that its powers far exceed those authorized by the charter. Should the assembly broaden the committee's terms of reference this fall when it renews the committee, other colonial powers may refuse to participate in the work of the committee, as Belgium did in 1953.

The General Assembly asserts its competence to determine whether a non-self-governing territory "has or has not attained a full measure of self-government" and to approve the administering power's decision to cease reporting on the area. In 1952 the assembly recognized that Puerto Rico had become a self-governing commonwealth and in 1953 that Greenland had become an integral part of Denmark. This year the assembly will consider Netherland's decision to cease reporting on the Netherlands Antilles and Surinam. The assembly will probably recognize that the 1954 Statute of the Realm affords these two dependent areas a measure of self-government within the Dutch kingdom.

North Africa

The Moroccan issue will be the only North African item fully debated by the General Assembly this year. This discussion, however, is expected to be even more inflammatory than before because of

the recent riots and French military reprisals. The Arab-Asian bloc may attempt to push through the assembly a resolution condemning France, but it is more likely that a modified resolution calling for further negotiations will win the two-thirds majority approval.

The Arab-Asian bloc has not raised the Tunisian issue this year. The French-Tunisian conventions granting limited autonomy to Tunisia became effective this month. Presumably the Arab-Asian bloc will not raise the issue unless there is some evidence that France fails to implement the agreements.

The General Assembly is expected to refuse to inscribe the Algerian question on its agenda. The fact that Algeria has been considered an integral part of France since 1848 will influence the vote considerably, particularly that of the Latin American bloc.

Cyprus

The United States' decision to oppose inscription of the Cyprus question led directly to the defeat of Greece's request on 23 September. The final vote was close and revealed a split in the Latin American bloc. Greece's strained relations with Britain and Turkey and its dismay over the United States' position will probably be reflected in UN discussions on other colonial issues.

West New Guinea

Indonesia has requested a discussion of the status of West New Guinea, which was left unsettled in the 1949 Dutch-Indonesian agreement. Last year a compromise resolution calling upon the parties to negotiate failed to obtain

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the necessary two-thirds majority in the assembly. The Dutch Foreign Ministry believes that it would be highly desirable to postpone consideration of the question because of impending elections in both Indonesia and the Netherlands. The new Indonesian government, while

committed to press the issue, reportedly has adopted a more moderate stand this year. Should a postponement maneuver be initiated by a third country, heated debate on the controversial issue may be avoided at this assembly.

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IRANIAN ECONOMIC DEVELOPMENT PLANNING

Iran's program for economic and financial development, on which the Shah has staked much of his personal prestige, is making little progress, partially because of opposition from vested interests, and partially because of poor planning. Continued failure to make appreciable economic progress will strengthen opposition to the Shah.

Background of Program

The development program was started in 1949 with the establishment of the Seven-Year Plan Organization. The country's entire oil income was to be devoted to economic development, and a total of \$650,000,000 was budgeted for this purpose. Oil revenues ceased, however, when the oil industry was nationalized in 1951, and the plan virtually fell apart. Not more than about \$160,000,000 of the amount budgeted for economic development has been spent thus far, and results have been insignificant considering the time and money expended.

Since the renewal of oil revenues under the oil consortium

agreement of last year, development planning has been resumed under the leadership of the Shah and the direction of the generally able but controversial chief of the Seven-Year Plan Organization, Abol Hassan Ebtehaj, who was appointed in 1954.

The legislation which authorized the present seven-year development plan expires early next year, and the government has asked the Majlis to approve a new \$900,000,000 plan to run until 1963. Opponents of Ebtehaj have so far blocked Majlis approval, however, and final parliamentary action is not expected before late autumn. Debate on the issue will probably be lengthy and bitter. If the life of the Plan Organization is not extended, its plans and assets will pass to the Ministry of Finance.

Prospects for the Future

Although the Plan Organization is going ahead with preparations for future development, the program appears to be largely unco-ordinated. Most of the projects are still in the survey and engineering

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stage, and judging from past experience, some may not get further. Various ministries which in the past have carried out small projects such as the construction of clinics, schools, and secondary roads have been denied development funds in their regular budgets, and the Plan Organization, which has funds, insists on reviewing at numerous levels and great length all development proposals of the regular ministries, even those for obviously needed projects.

Such an attitude on the part of Plan Organization officials stopped the small beginnings of a development program started with the help of American Point Four funds, and has resulted in jurisdictional squabbles between the ministries and the Plan Organization, mounting frustration on the part of the ministries involved, and increased expressions of discontent by many Iranians. It remains to be seen whether Eftehaj will be able to overcome his political opposition and break down the political and bureaucratic barriers to economic progress.

Financing

Iran is not short of foreign credits for development purposes. It has a \$53,000,000 credit available from the Export-Import Bank and another \$57,400,000 in sterling is available from British sources. It has also received nearly \$60,000,000 in oil revenues from the oil consortium since last fall.

It is estimated that Iran will eventually receive about \$180,000,000 a year from the oil consortium, and under present legislation at least, most or all of this will go to economic development. The amount of foreign exchange commitments

entered into by the Plan Organization is not known.

Political Effects

Concurrently with the development program, the Shah has been pressing hard for financial and social reforms, has launched an anticorruption drive, and has introduced new tax and land legislation. The reform program has met widespread opposition from the conservatives, mostly landowners, who dominate the Majlis and are thus in a position to block effective legislation or weaken it by amendments.

The Shah appears to have realized that his position is weakened by his failure to win the support of the conservatives, and in recent weeks his attitude toward them has switched from belligerence to friendliness. Some observers see in the Shah's reversal another indication of his unstable and emotional character, while others view it as a shrewd political maneuver to keep his conservative opponents off balance.

The failure of the much publicized development program to produce visible results and the Shah's apparent reconciliation with the antireform conservatives have led many Iranians to believe that foreign intervention and manipulation are again at work to prevent realization of popular hopes and expectations.

The situation gives the nationalists increasing ammunition with which to attack the government and an opportunity to unify their large latent support among the middle classes. While government manipulation, suppression, and control of elections can keep the nationalists powerless for the time being, the prospects are that a nationalist-reformist movement may have increasingly greater appeal.

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YUGOSLAV-ALBANIAN RELATIONS

In contrast to the markedly increased friendliness of relations between Belgrade and other members of the Soviet bloc, Yugoslavia's relations with Albania are improving at a snail's pace. This seems to be the result of a deliberate policy on the part of all concerned.

The exchange of parliamentary, economic, cultural and athletic delegations, so common today between Yugoslavia and most of the Soviet bloc countries is practically nonexistent between Tirana and Belgrade. A small trade agreement was signed last May but there has been relatively little expression of intent to expand it.

Yugoslavia Remains Aloof

References to Albanian-Yugoslav relations have appeared in Yugoslav propaganda only recently. Tito did not mention Albania in his Karlovac speech on 27 July when he accused Satellite officials, particularly in Hungary and Czechoslovakia, of working against better relations. A few days later, a Belgrade editorial linked Albania with Hungary and Czechoslovakia, but it was not until the recent exchange over the border slaying of a Yugoslav herder by Albanian frontier guards that Albania received any significant attention.

Taking advantage of the slaying, the Yugoslav press on 20 August made its most violent onslaught on any Satellite since the inception of the "normalization campaign." It pointedly attacked Albanian leaders for opposing better relations and concluded by declaring that Yugoslav relations with Albania were worse than with any other East European country.

Albania, unlike the other Satellites Yugoslavia has criticized for proceeding too slowly

in normalizing relations, has ignored the accusations. Its response to the Yugoslav note protesting the border slaying admitted responsibility but was no more apologetic in tone than the one last year in connection with a similar fracas.

Albania is Unenthusiastic

Although Albanian party first secretary Hoxha kept in step with other Satellite leaders in issuing a call for better relations last July, Albanian comment on the subject since then has been sparse and unenthusiastic.

Albania's failure to keep pace with the other members of the Soviet bloc is probably a result of the uniquely strong reaction in Tirana against the rehabilitation of Tito in the Communist family. Recalling Yugoslav hegemony over their country before the 1948 break, when the Albanian Communist Party was, in effect, only an appendage of the Communist Party in Yugoslavia, the regime's leaders are undoubtedly hesitant to establish conditions whereby Yugoslav influence could be reasserted.

Since pro-Yugoslav sympathizers probably still exist within the Albanian party, better relations with Yugoslavia would undoubtedly make party discipline correspondingly more difficult to maintain.

There have been some indications of dissension within the Albanian regime, possibly resulting from disagreement over the issue of relations with Yugoslavia. On 24 June two prominent Albanian officials, Tuk Jakova and Bedri Spahiu, who may have been sympathetic to Tito, were ousted for "incompetence." Shortly thereafter, on 18 July, a listing of the "enemies of the party" included Koci

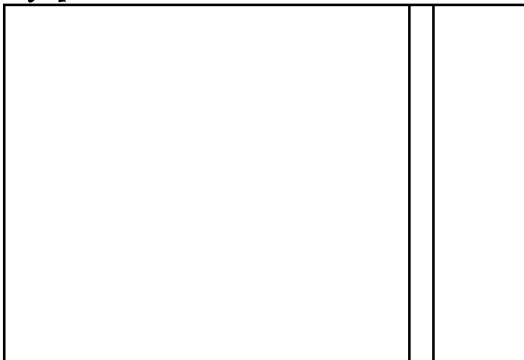
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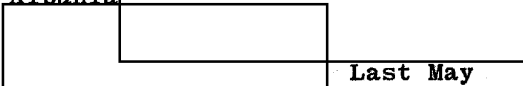
Xoxe, the Albanian leader executed in 1949 for pro-Tito views. On 21 July an editorial in the official Albanian press condemned "bourgeois nationalism." These circumstances tend to support a Yugoslav belief that Jakova and Spahiu were purged for having pro-Yugoslav sympathies.

Yugoslav Influence in Albania

Belgrade may fear that any too direct intervention in Tirana's affairs could have undesirable reverberations in its relations with Greece, Italy, the United States and even the Soviet Union. Tito will most

likely wait for a tangible Albanian gesture before moving to better relations. Yugoslav officials recently have flatly denied in talks with American representatives that their government wishes to depart from its public position in support of an "independent Albania." According to the American embassy in Belgrade, however, primary Yugoslav interest in internal Albanian affairs seems to be to get the scalp of Premier Shehu, whom Belgrade considers its archenemy.

Moscow has shown no apparent lessening of interest in Albania



Last May the Soviet Union gave Tirana its first major security guarantees by including it in the Warsaw pact. The USSR is probably content for the present to permit only a slow improvement in Yugoslav-Albanian relations in order to prevent the resurgence of Yugoslav influence which might compete with its own.

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